

Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00

DODE-00 PM-05 H-01 INR-07 L-03 NSAE-00 PA-01

PRS-01 IGA-02 COME-00 FRB-03 XMB-02 OPIC-03

LAB-04 SIL-01 DOE-12 SIG-01 MMO-01 AGRE-00 /108 R

DRAFTED BY EA/EP:MHENDERSON:SRP

APPROVED BY EA/EP:AGEBER

-----109822 210758Z /11

R 202203Z DEC 77

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

INFO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS

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E.O. 11652: N/A

TAGS: ECON, JA

SUBJECT: REPORTED GOJ ASSESSMENT OF US ECONOMIC
WITHDRAWAL FROM EA

REF: JAKARTA 16539 (NOTAL)

1. REFTEL REPORTED THAT EMBASSY JAKARTA HAD BEEN
APPROACHED BY JAPANESE EMBASSY TO REQUEST INFORMATION
ON US TRADE INVESTMENT AND AID VIS-A-VIS INDONESIA.
INFORMATION WAS REPORTEDLY FOR STUDY ON US ECONOMIC
WITHDRAWAL FROM EAST ASIA.

2. WE ARE CONCERNED THAT JAPAN MAY BELIEVE THAT US IS
WITHDRAWING ECONOMICALLY FROM EAST ASIA, WHEN IN FACT
EXACTLY THE OPPOSITE IS OCCURING. EMBASSY JAKARTA
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PLEASE PASS THE FOLLOWING INFORMATION TO JAPANESE
EMBASSY. INFO POSTS MAY FIND FOLLOWING USEFUL IN
DISCUSSIONS WITH HOST GOVERNMENT OR OTHER EMBASSIES.

3. TRADE AND INVESTMENT FLOWS RESPOND MORE TO GENERAL
GLOBAL ECONOMIC CONDITIONS THAN TO GOVERNMENT POLICIES.
ALL US POLICIES REGARDING TRADE AND INVESTMENT ARE

GLOBAL AND ON BALANCE HAVE BEEN SUPPORTIVE OF INCREASED
WORLD TRADE AND INVESTMENT.

4. US TRADE AND INVESTMENT WITH EAST ASIA (NOT
INCLUDING JAPAN) HAS BEEN RISING FASTER THAN OUR
OVERALL TRADE AND INVESTMENT SO THAT EAST ASIA'S SHARE
INCREASED BETWEEN 1965 AND 1976.

US EXPORTS

....1965 -- 8.1 PERCENT

....1970 -- 8.8 PERCENT

....1976 -- 12.9 PERCENT

IMPORTS

....1965 -- 8.1 PERCENT

....1970 -- 9.5 PERCENT

....1976 -- 9.8 PERCENT

INVESTMENT

.... 1965 -- 5.9 PERCENT

.... 1970 -- 8.9 PERCENT

.... 1976 -- 10.0 PERCENT

5. US EXPORTS TO THE REGION INCREASED 5.7 TIMES FROM
2 BILLION DOLLARS IN 1965 TO 11.3 BILLION DOLLARS IN
1976 WHILE US IMPORTS FROM EA INCREASED 9 TIMES FROM
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1.7 BILLION DOLLARS IN 1965 TO 15.6 BILLION DOLLARS IN
1976. FURTHER THE US MOVED FROM AN OVERALL TRADE
SURPLUS OF 300 MILLION DOLLARS IN 1965 TO A 4.3 BILLION
DOLLARS TRADE DEFICIT IN 1976.

6. THE ABOVE FIGURES ARE FOR TRADE AND INVESTMENT FOR
THE REGION AS A WHOLE. WE ASSUME THAT EACH EMBASSY CAN
PROVIDE COUNTRY FIGURES IF ASKED. INFORMATION FOR ASEAN
AS A REGION ARE AS FOLLOWS. US EXPORTS TO ASEAN
INCREASED 6.5 TIMES FROM 573 MILLION DOLLARS IN 1965 TO
3.7 BILLION DOLLARS IN 1976 WHILE US IMPORTS INCREASED
7.6 TIMES FROM 766 MILLION DOLLARS TO 5.8 BILLION
DOLLARS. FURTHER THE US TRADE DEFICIT OF 194 MILLION
DOLLARS IN 1965 EXPANDED TO 2.1 BILLION DOLLARS IN
1976. THE BOOK VALUE OF US INVESTMENTS IN ASEAN
EXPANDED FROM 730 MILLION DOLLARS IN 1966 TO OVER 5
BILLION DOLLARS IN 1976.

7. THE US IS BY FAR THE LARGEST FOREIGN INVESTOR IN THE
EA REGION. BOOK VALUE EXPANDED FROM 2.5 BILLION DOLLARS
IN 1965 TO 11.4 BILLION DOLLARS IN 1976. BETWEEN 1965
AND 1975 THE AVERAGE ANNUAL GROWTH RATE IN BOOK VALUE

WAS 16 PERCENT. RECENT DECLINES IN THE LEVEL OF NEW US INVESTMENT CAN BE ATTRIBUTED LARGELY TO THE WORLDWIDE RECESSION.

8. THE STRUCTURE OF OUR BILATERAL AID (AID AND PL-480) TO THE EAST ASIA REGION HAS UNDERGONE SOME DRAMATIC CHANGES IN THE PAST FIVE YEARS. THE FALL OF SAIGON PRECIPATED THE DISCONTINUANCE OF AID TO THE INDOCHINA STATES. WE HAVE PHASED OUT OUR AID PROGRAM TO KOREA BECAUSE OF ITS SUCCESSFUL DEVELOPMENT PROGRAM AND HIGH RATE OF GROWTH. REGIONAL AID FIGURES HAVE ALSO BEEN AFFECTED BY THE REQUIREMENTS OF INDONESIA. AID DECLINED SUBSTANTIALLY IN 1974 WHEN INDONESIA DID NOT NEED BALANCE OF PAYMENTS ASSISTANCE. HOWEVER, THERE HAS BEEN LIMITED OFFICIAL USE

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A CONTINUOUS INCREASE IN AID TO INDONESIA SINCE THEN. THE FIGURES BELOW GIVE OUR BILATERAL AID TO THE PHILIPPINES, INDONESIA AND THAILAND FROM FY 1974 TO 1978 IN MILLIONS OF US DOLLARS. TOTAL AID HAS INCREASED FROM 1974 TO 1978 BY 70 PERCENT.

FY 1974

.... PL-480 -- 27.2

.... AID -- 130.3

.... TOTAL - 157.5

FY 1975

.... PL-480 -- 57.1

.... AID -- 102.8

.... TOTAL -- 159.9

FY 1976 (INCLUDES TRANSITION QUARTER)

.... PL-480 -- 116.1

.... AID -- 131.5

.... TOTAL 247.6

FY 1977

.... PL-480 -- 138.2

.... AID -- 86.7

.... TOTAL -- 224.9

FY 1978 (PROJECTED)

.... PL-480 -- 132.5

.... AID -- 134.2

.... TOTAL 266.7

9. WITH REGARD TO THE ADB THE US IS COMMITTED TO CONTINUING ITS SUPPORT OF THIS INSTITUTION. THE US HAS LIMITED OFFICIAL USE

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APPROPRIATED FUNDS FOR THE INCREASE IN THE ADB'S
CAPITAL AND THE REPLENISHMENT OF THE ADF AND IS
PARTICIPATING IN THE SECOND REPLENISHMENT OF THE ADF.

10. WE ARE POUCHING TO EMBASSIES A COPY OF AN INR
REPORT COMPARING US AND JAPANESE TRADE AND INVESTMENT
IN EAST ASIA.

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Message Attributes

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Disposition Approved on Date:
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